VACATION PAY DEFERRAL PROGRAM
September 2007

History

- Prior to 2003, Employees were able to defer accumulated vacation leave credits (unused vacation pay) into a tax deferred account(s) after separation from Employment.

History

- In 2003, the IRS regulations prevented the deferral of unused vacation pay into a tax deferred account(s) after separation from service.

State developed the Early Vacation Payout Program (EVP) to enable the deferral of unused vacation pay into a tax deferred account(s) prior to the employee’s separation from service.

Vacation Pay Deferral Program

- In 2006, IRS issued regulation to once again allow the deferral of unused vacation pay into a tax deferred account(s) after separation.

Vacation Pay Deferral Program

- The Vacation Pay Deferral Program is comprised of two sub-programs:
  - Early Vacation Payout Program (EVP)
  - Post Separation Vacation Pay Deferral Program (PSVPD)
Tax Deferred Accounts

- Eligible employees are able to participate in the University’s 403(b) Tax Deferred Annuity Program and/or the State’s 457 Deferred Compensation Plan.

Tax Deferred Accounts

- No coordination of contribution limits between the University’s 403(b) Tax Deferred Annuity Program and the State’s 457 Deferred Compensation Plan.

Tax Deferred Accounts

- In 2007, eligible employees under the age of 50 may contribute to both tax deferred programs up to $15,500 to each program. Employees 50 and above may contribute up to $20,500 to each program.

CHANGES

- Personnel representatives to compute the estimated dollar vacation payout amount for employee.

EVP PROGRAM

- Restricted to Retirees
- Employee can participate in both EVP and PSVPD Programs, if eligible
- EVP process shall begin no later than two and one half months before retirement date.

EARLY VACATION PAYOUT (EVP) PROGRAM
**EVP PROGRAM**

- Targeted Payroll date for payout and deferral should be coordinated with all parties involved.
- PO/AOs provides employee with vacation pay $ amount.

**Instruction for G-2A**

- Complete the G-2A as usual. For employees participating in both EVP and PSVPD Programs, note in Section B of G-2A the PSVPD Target Payout date.

**PSVPD PROGRAM**

- Available to employees separating from service:
  - Retirement
  - Resignation
  - Termination
Vacation deferral must occur within 2-1/2 month per IRS regulations

Employee to submit PSVPD Request Form to PO no later than 14 days prior to separation (unless waived by Personnel Officer).

Inter-Governmental Movement (IGM)
- Considered a separation
- Eligible for PSVPD

Employee making IGM must delay contributions into a tax deferred account until PSVPD with losing jurisdiction is complete. Must be completed in 2-1/2 months.

• COB date determines the PSVPD deadlines.
• Targeted Payroll date for payout and deferral should be coordinated with all parties involved.

POST-SEPARATION VACATION PAY DEFERRAL PROCESSES:

- Participants contact OHR for deferral instruction
- Participants provide vacation pay $ amount to OHR
- OHR assists employee in preparing a Salary Reduction Form
- OHR submits G-2 to Payroll w/target payout date noted
- Payroll Office processes PSVP for target payout date
- PO reviews employee’s leave records and determines if able to audit leave record and process vacation payout by deadline
- Employee informs PO of separation & requests PSVPD
- PO gives employee PSVPD forms
- Employee reviews PSVPD Instructions, Schedule and forms
- Employee completes and submits PSVPD Request Form to PO at least 14 days prior to separation (unless waived by PO)
- Participants provide CitiStreet with a copy of PSVPD Request Form
- PO submits G-2 to Payroll w/target payout date noted
- CitiStreet sets up deferral transaction for target payout date
- CitiStreet performs paycheck analysis
- Employee completes CitiStreet Deferral Election Form
- OHR assists employee in preparing a Salary Reduction Form
- PO reviews employee’s leave records and determines if able to audit leave record and process vacation payout by deadline
- Employees inform PO of separation & requests PSVPD
- PO gives employee PSVPD forms
- Employee reviews PSVPD Instructions, Schedule and forms
- Employee completes and submits PSVPD Request Form to PO at least 14 days prior to separation (unless waived by PO)
**PSVPD PROGRAM**

- Complete the G-2 as usual. Notate employee participating in PSVPD Program and target vacation payout date on G-2 form.

**Hired before 1971**

- Employee hired before 1971 qualifies for High 3 AFC or High 5 AFC pension calculations.
- High 5 AFC includes vacation pay.
- A D-60 is required for retirement contributions on vacation pay.

**Instruction for D-60 for High 5 AFC**

- [HR Documents](#) / Employee Benefits / Employees’ Retirement System / ERS Contributions on Lump Sum Vacation Pay-out

**Hired Before July 1, 1997**

- Vacation payout is computed as if the employee was still employed beyond the date of separation until the remaining vacation leave credits are exhausted.
- Employee is entitled to holiday(s) and pay increase(s), if any, that occur within that period.

**Hired on or after July 1, 1997**

- Vacation payout is calculated at the hourly pay rate at the date of separation multiplied by the vacation leave credits.

**Vacation Pay Deferral Program**

Copies of EVP and PSVPD Forms may be obtained from the OHR website: [www.hawaii.edu/ohr](http://www.hawaii.edu/ohr)
THANK YOU
**EARLY VACATION PAYOUT (EVP) PROCESS**

(457) Participants provide CitiStreet with a copy of EVP Request Form

(403(b)) Participants contact OHR for deferral instruction

PO submits G-2A to Payroll office by deadline w/target payout date noted

Payroll Office processes Early Vacation Payout for target payout date

(403(b)) Employee provides vacation pay $ amount to OHR

(403(b)) OHR assist employee in preparing a Salary Reduction Form

Ee informs PO of retirement & requests for EVP

PO gives employee EVP forms

Employee reviews EVP Instructions, Schedule and forms

Ee completes & submits EVP Request Form to PO by applicable deadline

PO reviews employee’s leave records, and determines if able to audit leave record and process vacation payout by deadline

YES

PO computes and provides vacation pay $ amount to employee by deadline

(457) Ee provides vacation pay $ amount to CitiStreet with a copy of pay statement

(457) CitiStreet performs a paycheck analysis

(457) Ee completes CitiStreet Deferral Election Form

(457) CitiStreet sets-up deferral transaction for target payout date

NO

PO informs employee

Employee informs (457) CitiStreet or (403(b)) OHR

(457) Ee provides vacation pay $ amount to CitiStreet with a copy of pay statement

(403(b)) Participants contact OHR for deferral instruction
POST-SEPARATION VACATION PAY DEFERRAL PROCESS

1. Employee informs PO of separation & requests PSVPD
2. PO gives employee PSVPD forms
3. Employee reviews PSVPD Instructions, Schedule and forms
4. Employee completes and submits PSVPD Request Form to PO at least 14 days prior to separation (unless waived by PO)
5. Participant provides CitiStreet with a copy of PSVPD Request Form
6. PO computes and provides vacation pay $ amount to employee by deadline
7. Employee informs CitiStreet or (403(b)) OHR
8. Payroll Office processes PSVP for target payout date
9. PO reviews employee’s leave records and determines if able to audit leave record and process vacation payout by deadline
10. PO submits G-2 to Payroll w/target payout date noted
11. CitiStreet performs a paycheck analysis
12. Ee completes CitiStreet Deferral Election Form
13. CitiStreet sets-up deferral transaction for target payout date
14. OHR assists employee in preparing a Salary Reduction Form
15. Ee provides vacation pay $ amount to OHR
16. Participant contact OHR for deferral instruction
17. Participants provide CitiStreet with a copy of PSVPD Request Form
18. (403(b)) Participants contact OHR for deferral instruction
19. (403(b)) Ee provides vacation pay $ amount to OHR
20. (403(b)) OHR assists employee in preparing a Salary Reduction Form